

# Aid Accountability: The role of Local Authorities in Improving Aid Effectiveness

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# INTRODUCTION

- Foreign aid stood at £100bn (Riddell 2007), it has been expanding rapidly with institutions pledging to double aid to achieve the MDGs and the target of 0.7 percent of GNI for ODA.
- Foreign aid is provided by several institutions including official government agencies, NGOs & emergency assistance institutions
- Aid has been given for several reasons; helping provide welfare assistance, emergency aid, development aid and anti-terrorism aid (Fowler 2005, Riddell 2007)
- Aid has originally been given on a blanket 'altruism' basis but now days on "selective" basis to countries considered to have good governance or willing to reform

# Introduction

- Some scholars have been critical of the ills of aid (Easterly 2006,) evidence show it has been ineffective, (Doucouliagos and Paldam 2009) it has been used as a tool of exploitation by the west (Hanlon 1991, 1997, Amutabi 2006 ) and others denounce it as being unable to bring development to the south-they say it has harmed Africa (Mwenda 2007, Vasquez 2005, Dambisa Moyo, 2009)
- Easterly (2005) argues that "Limitless development assistance to African governments, has fostered dependency, encouraged corruption and ultimately perpetuated poor governance and poverty'
- Even WB&IMF say 'there is no correlation between aid and growth in Africa and aid has harmed development by supporting governments whose policies have actually impoverished people BUT at the same time there is 'no evidence that aid works better in better policy or geographical environments' (Vásquez, 2005)
- The aid industry has been under pressure to demonstrate results and be an effective force for the good its providers claim it is.

# Aid Accountability

- Aid accountability has been top on the agenda by those who give, transfer, receive and even those intended to benefit
- Accountability is commonly understood as a process through which people entrusted with responsibilities are kept under check when carrying out functions assigned to them.
- Traditionally aid accountability has been guided by a principle-agent model, where donors (principles) sought to influence spending behaviour of recipient governments (agents) by attaching conditions on project/ programme /policy levels to the delivery of aid.
- It reflects a power imbalance and a unilateral contractual approach to recipient countries as a precondition for the delivery of aid.
- Aid accountability has been characterised by unequal power relationships and these inequalities are less likely to disappear soon.

# Accountability...

- Mutual accountability lies at the heart of the 2005 Paris (and Accra agenda of action 2008) Declarations commitment to reforming the aid relationships. It defines who is accountable, for what and how so as to create aid effectiveness.
  - *It aims at creating a more balanced relationship between donors and recipient governments by binding members together through shared values of aid effectiveness, protecting reputation, causing development and ensuring reciprocal commitments.*
- The Paris & Accra Declarations dictates that donors and recipient governments are in the first place accountable to their domestic constituents.
- Donor-recipient lines of accountability are closely connected to domestic lines of accountability-of course liable to creating tension.

# Focus of this paper

- Focuses on the role of local authorities in improving aid effectiveness-aid=meeting intended goals.
- The local authorities/government (LG) in Uganda serves an extension arm of central government
  - LGs have economic and political powers to influence local economic and social development and service delivery in their localities
  - LGs interact with foreign aid through the top down/bottom-up government planning and financing mechanisms .
  - LGs have a role to play in ensuring that aid achieve its objectives especially of poverty eradication and creating development results.
  - Aid can easily be misused if local authorities have little concern for social groups besides itself.

# Aid in the current Ugandan Context

- Official aid is received from bilateral and multilateral agencies to government of Uganda
- It is received for; 1) poverty reduction thus focusing on particular sectors/subsectors/projects such as education, health, integrated rural development projects; 2) for growth/development-dealing with impediments of growth such as roads
- Aid to Uganda government has been increasing over years as reflected in the annual national budgets below
- Uganda is working hard to decrease dependence on foreign aid –contribution to national budget decreased from 50.8% in 2006-7 to 40.1% in 2007-8

## Gross Inflows of Foreign Aid for budget support, project support excluding loans

1991–92 US\$509m	2000–01 US\$666m
1992–93 US\$696m	2001–02 US\$849m
1993–94 US\$508m	2002–03 US\$847m
1994–95 US\$651m	2003-04 US\$1,267bn
1995–96 US\$668m	2004-05US\$1,255bn
1996–97 US\$525m	2005-06US\$895m
1997–98 US\$842m	2006-07 US\$1,087bn
1998–99 US\$795m	2007-08 US\$1,264bn
1999–00 US\$700m	

Source: Uganda, Ministry of Finance, Planning and Economic Development, “Background to the Budget,” 1991–92 through 2008-9

# Aid in the current Ugandan Context

- Aid is delivered to Uganda government through diverse funding mechanisms
  - Aid framework agreements-PRSPs, MDGS-through the midterm expenditure frameworks which allocates resources according to agreed priorities which are then reflected in annual budgets
  - Less targeted blocks of aid-sector wide approaches (SWAps) –channeling aid to the entire sector e.g. health
  - Budget support-block fund-providing additional fund to boost and expand government expenditure both recurrent plan and long term capital expenditure
  - Aid to a particular social-development problem e.g. HIV/AIDs
  - Capacity dimension of aid-increasing number of experts and expatriates
  - Increase number of NGOs-utilizing official aid funds to implement donor led aid activities –UN

# Aid in the current Ugandan Context ...

- 3 ways -official aid delivered to Local Authorities in Uganda
  - Through central government basket funding mechanism/ budget framework- Funds are controlled by MoFPED which makes allocations to LG budgets.
    - This funding is for recurrent and development plan
    - MoFPED sends conditional grants to local governments–i.e for national priority areas-primary education, Primary health care health, Functional Adult Literacy.
  - Other agencies (e.g. UNCEF) work directly with LGs. Integrates funding into LG budgets and provides guidelines on how such funds should be used
  - Other agencies moves to LGs and provides assistance in form of physical infrastructure or service. E.g. builds up schools, trains staff-without necessarily local government having direct access to the funds.

# Role of LAs in improving aid effectiveness

- Role of local authorities is inherent the existing accountability regulations and mechanisms
  - The Local government (financial & accounting) regulations, 2007 gives general guidelines on financial controls and administration and stipulates roles of different actors including those of ; council; Executive Committee, Standing Committee, Chief Executive officer, Accounting Officers at administrative units, Head of Finance, Head of Internal Audit, Heads of Departments, Other public officers, and those of Local Government Public Accounts Committee.
- **E.g. Functions of the council.**
  - (a) to authorise public expenditure (b) exercise general control over public revenue of the council; (c) approve all annual plans and budgets for local government expenditures; (d) approve vote on account;(e) approve supplementary estimates; (f) approve policies; (g) consider reports produced by the Local Government Public Accounts Committee and recommend action where necessary.
- **Functions of the executive committee.**
  - (a) to exercise general supervision and control over the council's finances and Government conditional grants and ensure that these Regulations are observed; (b) to propose policies and projects for consideration by the council and upon approval by the council, monitor the implementation of the council's programmes and projects; (c) to consider and evaluate the performance of the council against the approved work plans and programmes at the end of each financial year; (d) to review the annual and other accounts of the council together with the audit reports; (e) to review the quarterly internal audit reports after being examined by the Local Government Public Accounts Committee and report to the council; (f) to recommend and exercise surcharge powers in accordance with regulation 122; (g) to authorise the writing off of losses in accordance with regulation 121; (h) to approve any re-allocation of the council's funds; (i) to approve the annual cash flow budgets; (j) to monitor the implementation of the council's policies and Programmes; (k) to review periodic performance reports prepared by the chief executive and recommend action where necessary; (l) to review reports produced by the Local Government Public Accounts Committee and report to the council.

## Role of LAs in improving aid effectiveness

- Enforcing accountability through established LG planning, budgeting processes-clear targeting.
  - In case of basket funding, central government gives guidelines i.e. directs on national priority areas. E.g. school construction-however it is the LG to determine/agree on which school-venture that addresses local issues.
  - In case of funds for a specific need e.g. malaria control/HIV/AIDS, the LGs are requested to identify beneficiaries – then funds are sent to the groups accounts and LGs can ensure that such funds follow guidelines and are put to good use-effective targeting

# Role of LAs in improving aid effectiveness

- Use of existing structures-technical and political
  - The Local government public accounts committee-plays an oversight role to ensure there is value for money/quality of services
  - Technical approval of service contracts done at the local government levels
  - Decentralized internal audit
  - Financial management support projects-Economic and Financial management programme (EFMP 1&11), the financial management and accountability programme (FINMAP) have instituted various financial management reforms
  - Professionalization of the accounting cadres
- Enforcement of agreements around aid effectiveness between central government and donors through timely activity and financial reporting
  - Quarterly audit reports to the centre
  - The annual local government assessment processes highlights the use of funds.
  - Emphasis on following existing legal frameworks

# Role of LAs in improving aid effectiveness

- Effective monitoring
  - Measuring progress on agreed indicators/outputs related to district plans or central government plans- doing on spot check of local dev't /investment
  - Joint monitoring missions with donors and different government levels
  - Improving statistical data collection showing gender disaggregated data for social groups
  - Involvement of beneficiaries through participatory monitoring
  - Tracking disaggregated and individual donor activities and aid flows into the local government
  - Taking corrective actions –dialoguing and negotiating with central government or donors



## Role of LAs in improving aid effectiveness

- Use of other legal frameworks and structures like that anti-corruption courts and protection of whistle blowers act
- Purposive or goal oriented collaboration between the political and civil servants in local government



# Limitations/challenges

- Corruption tendencies within local governments
- Limited flexibility on conditional grants-even with pressing needs-some donor funding emphasizes soft ware in relation to hard ware.
- Limited adherence to good governance principles such as equity and fairness, participation and transparency and disclosure

# Conclusions & Recommendations

- **Conclusions:**
  - Aid accountability is necessary if we are to increase aid effectiveness.
  - Local Authorities roles ranges from deciding on usage of aid/appropriate targeting, enforcing proper management, timely-coordinated accountability and monitoring and controls
- **Recommendations**
  - End corruption
  - Effective coordination of local development actions/development funding

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